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ACCELERATING ECONOMIC DEVELOPMENT

ANNUAL REPORT 2014 2015

Prince Edward Island hits **One Billion Dollars** in international exports page 17

Aerospace Sector Industry Economic Impact Analysis page 20

ICT Industry Economic Impact Review page 22

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Business Development | Trade & Export Development | Prospecting & Innovation Programs

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Business Development | Trade and Export Development | Prospecting and Innovation Programs

Message from the Chief Executive Officer

June 29, 2015

Honourable J. Heath MacDonald
Minister of Economic Development and Tourism
PO Box 2000
Charlottetown, PE C1A 7B8

Dear Minister MacDonald,

Please accept this annual report for the fiscal year ending March 31, 2015, summarizing Innovation PEI's (IPEI) activities and highlighting some of the overall successes of the Prince Edward Island economy during that period.

Innovation PEI, the lead economic development agency for the Province, fosters strategic partnerships with industry, academia, and other government and non-governmental agencies, to further grow a prosperous and vibrant economy with the goal of sustainable employment opportunities for Islanders.

Highlights from this fiscal year include:

| Innovation PEI's Act and regulations were updated to reflect the evolving priorities and operating procedures of the Agency. The revised Act and regulations were proclaimed February 14, 2015.

| Innovation PEI reported the creation of 356 net jobs during the fiscal year, through two of our major assistance programs, Innovation and Development Labour Rebate (IDLR) and Tax Holidays of Aerospace and Bioscience.

| Prince Edward Island exported more than $1 billion worth of goods in a single year in 2014, an historic milestone for the province's economy.

| The Aerospace and Defence Association of PEI and the Innovation and Technology Association of PEI each released an economic impact study demonstrating the contributions to the PEI economy from these industries; highlights are included in the industry pages. Combined with bioscience (report released 2014), these industries contributed approximately $526,700,000 to the Province's GDP in 2014.

| $20,127,092 was approved to support 631 projects with the creation of 696 jobs forecasted.

| For every $1 Innovation PEI invested in PEI companies, another $6 was leveraged from other sources, including Atlantic Canada Opportunities Agency, National Research Council, private investors, Export Development Canada, Skills PEI, and Finance PEI.

With direction from your Department, Cabinet and our private sector Board of Directors, Innovation PEI will continue to support the growth, diversification and strength of our economy.

Respectfully submitted,

Cheryl Paynter, CA
Chief Executive Officer

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Business Development | Trade and Export Development | Prospecting and Innovation Programs

CORPORATE MANAGEMENT

The Corporate Management division supports the overall mandate and initiatives of Innovation PEI and its divisions.

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TRADE AND EXPORT DEVELOPMENT

Innovation PEI's Trade and Export Development division is mandated to grow revenue created from export sales and to help Prince Edward Island companies become export ready. The division offers training and support for market entry activities and market-specific information.

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BUSINESS DEVELOPMENT AND INTEGRATION

The Business Development and Integration division is responsible for the coordination and delivery of information, assistance, and support programs to businesses in Prince Edward Island.

The division supports businesses in start up, expansion, trade development, and diversification. The division provides a full range of business counseling and programs to support the long term viability of Prince Edward Island businesses.

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PROSPECTING AND INNOVATION PROGRAMS

The Prospecting and Innovation Programs division is responsible for growing the strategic sectors of aerospace and defence, financial and business services, bioscience, information and communications technology, advanced manufacturing and renewable energy. The division is responsible for attracting out of province business investment to Prince Edward Island and manages the innovation programs focused on encouraging innovation and new product development.

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Brian Thompson, Chairman
Senior Vice President Commercial, Vector Aerospace Corporation

Brian is Senior Vice President Commercial for Vector Aerospace Corporation. Brian oversees Vector's global commercial and development activities for its fixed wing and rotary wing businesses. Brian took on this role in 2012 after leading the Vector Atlantic facility in Summerside since 2007. With Aliant (1998-2003), he had responsibilities in marketing, business development and strategic planning for domestic and export markets. Brian was the Director General of Enterprise Development & Policy at ACOA (2003-2006) responsible for trade, investment, and innovation programs in the Aerospace, IT and Bioscience sectors. He also held senior management positions with the Government of PEI within Agriculture (88-90), Executive Council (90-91), and Enterprise PEI (92-98). Brian holds a BBA from UPEI (1983) and an MBA from the University of Western Ontario (Ivey) (1986).

Linda Duncan - Audit Committee Chair, Director
Executive Director, Mussel Industry Council of Prince Edward Island

Linda is a culinary adventurer who serves as Executive Director of the Mussel Industry Council (MIC). For the last four years, Linda has led this successful organization, promoting Prince Edward Island mussels to consumers and chefs in the United States and Canada. Linda has spent most of her adult life overseas and has experience in international business in Bermuda, Australia, England, Luxemburg, and Canada. She has worked in roles from marketing container shipping to building customer service centres and managing the international operations for Bacardi rum. Linda is currently the Vice Chairman of the PEI Culinary Alliance using the brand, PEI Flavours, to position Prince Edward Island as a premium destination brand in tourism and to promote Island food.

Dave Perry - Audit Committee Member, Director
Director, Software Development, RadNet Inc.

Dave currently works as the Director of Software Development for RadNet Inc. where he leads a team of software developers to build commercial software used in RadNet's U.S. radiology operations, and sold in the global radiology market. Prior to working for RadNet, Dave's career spanned leadership roles with Canada Revenue Agency, Kodak Canada and Carestream Health Canada. Dave is a graduate of the UPEI Bachelor of Business Administration (BBA) and Holland College Computer Information Systems (CIS) programs. He lives in Summerside with his wife Sandra and family.

Ron Myers - Audit Committee Member, Director
Co-Owner, Thinking Big Information Technology Inc.

Ron graduated from UPEI in 2003 with a BSc. Three years later, in 2006, he co-founded Thinking BIG which builds enterprise level applications for both local PEI businesses and diverse clients with unique needs from all over the world. Today Ron leads a team of developers that helps its clients solve complex business and technical problems by providing effective software and technology solutions. Ron is currently the president of the Innovation and Technology Association of PEI, committee member of the STATS Charity golf tournament, a member of the PEI Developers Group and coaches junior soccer. Ron lives in Charlottetown with his wife Stacey.

Cheryl Paynter, CA - Secretary/Treasurer to the Board
CEO, Innovation PEI

Cheryl is a UPEI graduate (BBA '95) and earned her Chartered Accountant designation in 1997 and her Certified Financial Planner's designation in 1998. Cheryl has worked extensively in private industry in varying levels of management of financial, operational and sales roles in the hospitality sector; most specifically with D.P. Murphy Inc. spanning an 18 year tenure. Actively involved in the community, Cheryl is a board member and co-chairs the Prince Edward Island Marathon and belongs to the Charlottetown Executive club. Cheryl is past president and honorary life member of the Greater Charlottetown Area Chamber of Commerce, past Audit & Environment Chair and board member with Maritime Electric Co. Ltd., past Governor of Atlantic Canada Economic Council and past board member of various industry, community and minor sporting groups. Cheryl lives in Charlottetown and is the proud mother of daughter Cassandra.

Dr. Brian McMillan - Director
President and CEO, Holland College

Brian is the President and Chief Executive Officer of Holland College located in Prince Edward Island. He has been leading the college through a dynamic renewal process for the last nine years. Dr. McMillan is a registered psychologist with the New Brunswick College of Psychologists. He is currently active in numerous organizations including Junior Achievement, Atlantic Provinces Community College Consortium (APCCC), Colleges and Institutes Canada (CIC), CHANCES, PEI BioAlliance, University of Prince Edward Island (UPEI) Board of Governors, the Charlottetown Executive Association, and Innovation PEI.

Steve Howatt - Director
VP of Agronomy & Business Development, Technology Crops International

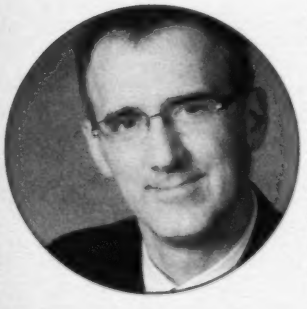
Steve is the Senior Vice President of Nature's Crops International (NCI), a division of Technology Crops International (TCI), a US based company with a specialty oilseed production and oil processing operation located in Kensington, PEI. Steve's current responsibilities include providing direction and oversight to the company's specialty oils program, as well as coordination of sales and business development activities. Prior to joining NCI, Steve owned and operated a crop research company based in PEI. Steve is married with three daughters. He was born and raised in PEI, and is currently residing in New Glasgow.

Dr. Alaa Abd-El-Aziz - Director
President and Vice-Chancellor, University of Prince Edward Island

Alaa assumed his responsibilities as the sixth president and vice-chancellor of the University of Prince Edward Island on July 1, 2011. Since that time he has championed a highly collaborative strategic planning process designed to define and advance the strategic direction of UPEI and support its academic mission - teaching, research and service. Throughout his administrative career, Dr. Abd-El-Aziz has remained actively involved in chemistry, making significant contributions to research and teaching in his field of inorganic organometallic polymers and materials.

Carl Brothers - Director
President, Frontier Power Systems

Carl, P.Eng., is a professional engineer with a passion for sustainable energy systems and for rural development. Carl has been an active member of the Canadian wind energy community for 30 years having managed the Atlantic Wind Test Site, Canada's national wind energy testing laboratory, for 20 years. Carl then formed Frontier Power Systems to focus on the development of wind projects and the design of wind energy systems for remote communities. Carl and his wife, Kitty, live in Alberton where, for the last 30 years, they have played an active role in the community and have been able to instil in their four children, the values, work ethic and cheer of rural life in PEI.



Neil Stewart, CA - Director
Deputy Minister, Department of Economic Development and Tourism

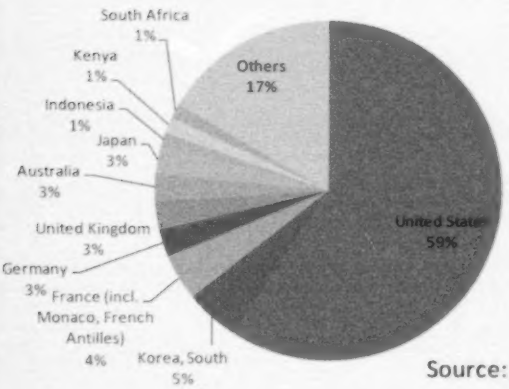
Neil began his career with Price Waterhouse Coopers in Toronto in 1994 and returned to Prince Edward Island with the firm in 1997. Neil joined Innovation PEI in 1999, serving as a Financial Analyst and then Director of Financial and Immigration Services. He was Chief Executive Officer of Innovation PEI and Executive Director of Island Investment Development Inc. from 2009 until November 15, 2011, when he was appointed Chief Executive Officer designate for Finance PEI. Neil assumed Acting Deputy Minister responsibilities at the Department of Innovation and Advanced Learning on April 20, 2013, and that appointment was confirmed on October 8, 2013. In May 2015, Neil was appointed Deputy Minister of Economic Development and Tourism.

2014 PRINCE EDWARD ISLAND ECONOMY HIGHLIGHTS

The world economy had another year of struggle to recover from the 2008 financial crisis and subsequent recession, with overall expansion of 3.3% in 2014. Slight growth of 0.9% in the eurozone and 7.5% growth in India helped to counteract slowdowns in both China and Japan. While China's economy grew by 7.4% in 2014, this is its lowest growth level in 24 years, when annual growth averaged approximately 10%. Japan's economy contracted by 0.1% in 2014, with forecasts of modest 0.9% growth in 2015.

The Canadian economy grew by 2.5% in 2014 and has experienced fourteen consecutive quarters of growth. The American economy grew by 2.4% in 2014, and the unemployment average was 6.5%, down from a high of 9.6% in 2010. The International Monetary Fund forecasts growth of 3.5% in the world economy in 2015. Private sector forecasts for real GDP growth for Prince Edward Island in 2015 range from 1.6% to 2.6%.

PEI Exports by Country YTD 2014



Source: Industry Canada

Prince Edward Island's provincial GDP advanced 1.3 per cent in 2014, valued at $4.644 billion. The main contributors to PEI's GDP increase were manufacturing; real estate, rental and leasing; agriculture; forestry, fishing and hunting; accommodation and food service; and retail trade. Manufacturing increased by 9.1%, with this growth also reflected in employment in the sector, growing by 12.0% to 5,600 in 2014. Real estate and rental and leasing grew by 1.8%, and retail trade increased by 2.0%. Agriculture, forestry, fishing and hunting increased by 3.8%.

Prince Edward Island

Accommodation and food services, due in part to the benefit of 2014 celebrations, were up by 4.8%. The growth in accommodation and food services was reflected in a 5.9% increase in room nights sold and a 7.3% increase in the total number of passengers travelling through the Charlottetown Airport. Campgrounds also did well in 2014, with nights sold increasing 8.4%.

Manufacturing shipments from PEI continued to increase with growth of 10.4% in 2014, following increases from 2011 to 2013, to a value of $1.608 billion. International exports increased 22.2% to $1.1 billion in 2014, following growth of 5.4% in 2013. This included exports of $83.2 million in engine and turbine equipment (+28.0%) and aerospace products and parts of $73.9 million (+13.3%).

While Canada saw an increase of 4.6% in farm cash receipts in 2014, PEI farm cash receipts decreased 0.6% for a total of $488.1 million. This decrease was largely the result of a decline of 29.6% in direct payments to farmers, outweighing growth in crop and livestock receipts. The harsh winter of 2014-15 resulted in winter harvesting challenges in the aquaculture industry, and delays in the 2015 start of fisheries and planting in the agricultural sector.

The value of non-residential investment on Prince Edward Island increased by 3.2% in 2014, after a decline of 13.4% in 2013.

Total capital spending in 2014 is estimated at $858.7 million, a decrease from $969.8 million in 2013. This decrease reflects lower spending by the retail trade, public administration, and housing sectors.

Prince Edward Island's population was estimated to be 146,283 at July 1, 2014. This represents a yearly increase of 778 persons, or 0.5% growth from July 1, 2013. Net international immigration of 1,364 was offset by net interprovincial migration of -957. Employment averaged 74,000 people in 2014, a decrease of 0.1% cent from the all time high of 74,100 in 2013.

There were 511 housing starts on Prince Edward Island in 2014, a decrease of 19.7%. A slight 3.5% increase in single dwelling starts was insufficient to balance fewer multiple dwelling starts.

The PEI Consumer Price Index (CPI) was up 1.6% year over year in 2014, below the Canada wide increase of 2.0%.

In September 2014, *Site Selection magazine* recognized Charlottetown as one of the Top 10 Canadian Economic Development Groups. The magazine bases its rankings on various calculations based on available New Plant Database information, as well as subjective but tangible factors that include regional partnerships, proactive programming and legislation, and quality data and web resources.

The Conference Board of Canada's "Provincial Outlook: Winter 2015" report ranked Prince Edward Island first in Atlantic Canada, and fourth among all provinces, in projected GDP growth (behind BC, MB, and ON). PEI's GDP is predicted to grow faster than the national average at 2.6% (2015) and 2.5% (2016). Lower gasoline prices, combined with the drop in the Canadian dollar, are expected to benefit tourism and exports and lead to an increase in employment and household income.

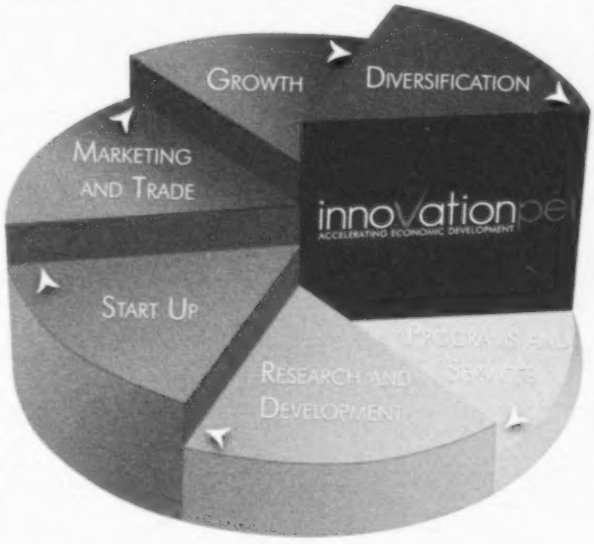
Measure	Goal	2013 Actual *	2014 Actual*
GDP	$6 billion by 2016	$4.585 billion	$4.644 billion
Employment	75,000 by 2016	74,100	74,000
Population	150,000 by 2022	145,237	146,283

*All data sourced from Statistics Canada; population is estimated. 2013 Actual GDP revised from preliminary estimate of $4.529 billion used in 2013-14 annual report to reflect Statistics Canada finalized value now available. 2014 GDP data is a preliminary estimate.

ENTREPRENEURSHIP AND SMALL BUSINESS

The Business Development and Integration Division works with local businesses and entrepreneurs, to grow the economy of PEI from within. The economy of PEI is driven by small and medium enterprises (SMEs) more than any other province in Canada. As defined by Statistics Canada, a small business has up to 99 employees; a medium business has 100-499 employees. In particular, small businesses are key to PEI's economic success. The SME category for the Island totaled 5,611 employer businesses at the end of 2012; of those, 5,547 were small businesses.

- The value of small business in Prince Edward Island cannot be fully quantified. However, some statistics* are available to showcase the importance to our economy.
- In 2012, SME's accounted for 94.3% of private employment in PEI **(the highest rate of any Canadian province or territory)**
- In 2011, Island SME's were responsible for 32% of PEI's GDP **(the highest rate of any province or territory in Canada)**
- Prince Edward Island is a close third in the category of most SMEs relative to the working age population (15 years and above). PEI has 46.6 SME's per 1,000 population, following Alberta (50.3) and Saskatchewan (47.8).



**Statistics throughout sourced from Statistics Canada, with most recent year available utilized.*

Business Development Officers Melissa MacLaren and Heather Rossiter Charlottetown Chamber Mixer

Innovation PEI recognizes the value of small business, and focuses its efforts through the Business Development and Integration Division to assist in the growth of our local businesses. Professional Business Development Officers (BDOs) located throughout the province interact with existing and aspiring business owners to support start-ups, access to professional services, research and product development, technology upgrades, or to enter new export markets. In person interactions include individual meetings, group presentations, networking events, and client site visits.

There have been many successes for PEI SME's in the past year; the following pages highlight a few examples of the variety of activity in our small business sector.

APPROXIMATELY 2,875 IN PERSON CLIENT INTERACTIONS

THOUSANDS OF PHONE AND EMAIL CONVERSATIONS.

27 EVENTS TO PROVIDE OUTREACH AND BUSINESS SKILLS DEVELOPMENT TRAINING ACROSS THE PROVINCE

Innovation PEI offers a variety of programs and services to support business development in Prince Edward Island
www.innovationpei.com/Programs-Services

This Division supported 428 projects with funding of $5,407,946.

Total cost of the projects supported was $46,181,504.

Deep Roots Distillery, which opened its doors in July 2014, is adding value to traditional Island farm products by developing a line of liquors based on PEI apples. Beamish Orchard, a family operated organic orchard, is expanding, diversifying and adding value to its business by using its crop to produce distilled spirits and fruit liqueurs through Deep Roots Distillery. Beamish Orchard's product line includes apple butter, candied applies and apple cider. Innovation PEI supported the company through the Marketing and Web Presence programs.

"As our business practices and partnerships demonstrate, Deep Roots Distillery has a continuing commitment to working with other PEI businesses and producers. We want to ensure our contributions have a positive ripple effect on the larger Island community," said Mike Beamish owner of Deep Roots Distillery.

In business for over fifty years, *Allan Equipment Manufacturing Ltd. (AEM),* founded by Don Allan (2014 PEI Business Hall of Fame inductee), is Canada's largest designer and manufacturer of potato harvesting equipment. In 2013, the business was purchased from its founder by Trent Cousins (2007 winner of the ACE CIBC Student Entrepreneur Award for PEI and Atlantic Canada) and Daniel van Schalkwyk. This is a great example of the transition from one generation to another happening within the Island business community. The young entrepreneurs implemented IT systems to improve manufacturing and inventory management processes. AEM's improved ability to manage costs, track product progress, and improve service delivery will foster its ability to remain competitive in the global market. IPEI supported these improvements through the IT Planning and IT Implementation programs.

Photo credit www.allanequipment.com

Gloria MacDougall, President Ron MacDougall, MacDougall Steel Erectors Incrs.

MacDougall Steel Erectors Inc. (MSE) expanded its Borden-Carleton facility to improve productivity, handle larger components and volumes of structural steel, and allow the company to meet the growing demand for its products. A workers' training facility will enable MSE to educate as many as 30 trainees per year. MacDougall Steel Erectors, established in 1998, is now one of the largest steel fabrication companies in Atlantic Canada.

"This expansion has afforded our company new opportunity for work. In fact, MSE has already been awarded contracts that would not have been possible for us to complete with the shop and our equipment prior to this expansion. This takes us to a whole different level in the Industry. In growing and developing our company, one of MSE's objectives is to keep Islanders employed – providing families with a good income and benefits. We are very grateful to both the Provincial and Federal Governments for their participation in making this newest expansion possible."

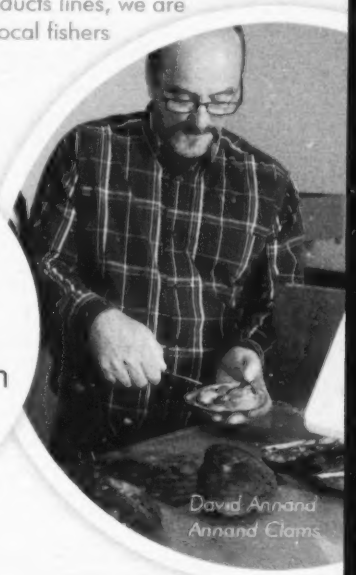
Mr. Ron MacDougall, President, MacDougall Steel Erectors Inc.

Annand Clams expanded with a new facility and equipment that will allow the company to create value-added product lines to meet a growing demand for bar clams. Bar clams are harvested on the Island from April to December every year, and Annand Clams currently sells four value-added products: fresh frozen clams, clams on the half-shell, deep fried bar clams, and bar clam tarts.

"This expansion would not have been possible without this assistance from the federal and provincial governments. By growing our business and expanding our products lines, we are able to provide a stable market for local fishers and employment for local workers."

David and Carla Annand, Co-Owners, Annand Clams

Did You Know? Annand Clams is the only bar clam processing facility in Atlantic Canada.



David Annand Annand Clams

With our economic growth dependent on a vibrant entrepreneurial eco-system and a culture of innovation, IPEI contributes both financially and serves on several commit[illegible] with organizations to support this eco-system, including Futurpreneur, Chambers of Commerce, Rural Action Centres, Junior Achievement, and Entrepreneurs 3.0 (previously Entreprenuers Forum). By working together, these efforts are resulting in a renewed sense of vibrancy and excitement about entrepreneurship, and increasing diversity in ownership and business offerings.

The Island Advance Task Force was formed following a 2012 Business Forum, *"PEI's Economic Future – Looking Ahead."* The intial findings from this forum recognized the immediate need to establish a committee comprised of business, education and government leaders. The Island-wide project engages industry, community organizations and government to advance economic development in PEI.

ISLAND ADVANCE
IGNITING OUR FUTURE!
AN INITIATIVE OF THE GREATER CHARLOTTETOWN AREA CHAMBER OF COMMERCE

"We are very pleased that our public sector partners have lent their support to the Island Advance Task Force Project," commented Ron Keefe, Chair of the Island Advance Advisory Committee. *"We encourage the private sector to take the lead and implement the action plan in order to further our Prince Edward Island economy."*

Chair Ron Keefe

Key Outcomes as noted by the Greater Charlottetown Chamber of Commerce|

- About 150 Island business leaders took part in a forum about potential investing in Island businesses.
- More than 350 business owners and newcomers came together at Advancing Island Connections, to talk about potential investments, partnerships and business purchase opportunities.
- More than 50 entrepreneurs received tips on pitching for investment at a "Pitch Prep" session.
- A position paper *"P.E.I.'s Economy -- The Path Forward"* underlined the importance of a private-sector led economy and government's role in creating an environment where business thrives.

JA class at Charlottetown Rural with Innovation PEI Marketing Manager Brent Byrnes

Valuable life and business skills through Junior Achievement programs "It's exciting to have the federal and provincial governments continue their commitment to the youth of Prince Edward Island through JAPEI. This partnership gives JAPEI the ability to deliver top-notch curriculum-based programming in the areas of Financial Literacy, Work Readiness and Entrepreneurship to students across Prince Edward Island." - Betty Ferguson, President & CEO, Junior Achievement of Prince Edward Island

Junior Achievement (JA) is an international not-for-profit organization focused on promoting business education through collaboration. Bringing together business leaders, educators, parents and the community, JA has a mission to help prepare youth for their future with a solid knowledge of how business works.

Minister Allen Roach & Bettty Ferguson

As the central region delivery agent of Futurpreneur Canada, Innovation PEI met with potential clients throughout the year. Five clients were referred to Futurpreneur staff for application and one loan was approved during the period.

futurpreneur canada

HOLLAND COLLEGE

Holland College and Innovation PEI developed and delivered a 30 hour business planning workshop in Summerside called "Building a Dream". This was in response to the need for in-depth business planning resources. Plans are to expand across all other regions of the province pending the success of the program. Fourteen people enrolled in the program.

Seniors and Youth Entrepreneurship Events were held in partnership with CBDC's in Montague and West Prince. These continue to be well attended events placing entrepreneurship as a career option for any age.

Central Development Corporation began a new program "Student Biz PEI" to be piloted for 2015 - 2016. The program targets older students 16 - 24 years of age and provides them with a stipend, an operating loan and a completion grant to go towards tuition or an RESP. A total of 10 students will be accepted into the program. Skills PEI and Innovation PEI have partnered with the Central Development Corporation to deliver this program.

RURAL ACTION CENTRE
CENTRE D'ACTION RURAL
Services de développement économique et communautaire
Business & Community Development Services

INNOVATION PEI ANNOUNCES FIRST-EVER WINNERS OF ENTREPRENEUR FUNDING IGNITION

The Ignition Fund is a competitive funding program for entrepreneurs seeking start up funding. Business plans are ranked in two stages - first by an evaluation committee and then by an investment panel. Each application is evaluated and scored independently, with scores then ranked top down.

The business plans were reviewed by an internal evaluation committee of Innovation PEI staff, using a standard scoring grid aligned to the information requested in the application. Applications are evaluated on the following criteria:

Experience of the founders and management team | Proposed product or service
Market value & potential uptake | Business growth | Business viability

Beginning with the highest scoring submission, applicants were selected for the second phase of the review process. Each of these applicants then had the opportunity to complete a 10 minute pitch to the investment panel, with time for a Q&A period. Recipients were chosen based on the merit of their business plan and their success in the pitch session, as determined by scores from the investment panel members.

The introduction of the Ignition Fund in 2014 has uncovered new energy and excitement within the start-up community. This competitive program provided seed funding to launch eight exciting new businesses in PEI. Additionally, and just as importantly, the application process connected Innovation PEI with 46 new entrepreneurs across all regions and sectors - resulting in many more opportunities to grow the economy of PEI.

Innovation PEI invested $200,000 into eight local businesses through the Ignition Fund, many of which are just beginning their operations.

"Entrepreneurship is strong in Prince Edward Island and to support our potential entrepreneurs, we created the Ignition program to help them when they need it most, in the early stages of business development," said then Minister Roach. "Startup is a period when financial resources are crucial and financing can be hard to secure."

Ignition gives successful applicants some added security during this critical time. To grow our economy, we need to support these new businesses that have the potential to become major players in our business community."

Funding was provided to: Queen Bee Games, Pownal; Island Gold Honey, Murray Harbour North; Can't Check This, Charlottetown; Sun Country Safety Wear, Vernon River; Island Artisan Cheesehouse, Mont Carmel; Skip the Waiting Room, Cornwall; BamText Corp, Charlottetown; and Serene View Ranch, Alexandra.

IGNITION PROGRAM FUNDING ALLOWED OUR COMPANY TO HIRE A FULL-TIME BUSINESS DEVELOPMENT OFFICER TO HELP GET OUR PRODUCT OUT BEYOND THE ATLANTIC CANADIAN MARKET.

JORDAN FRASER,
CEO OF BAMTEXT CORP.

(L-R): CAROLINE LEBLANC, MEGAN MURNAGHAN, JORDAN FRASER, MINISTER ALLEN ROACH, BRIAN HOWATT, MARK RICHARDSON, ROUBEN EDGAR, KATHLEEN CASSIDY, VICKY EDGAR.

Pilot and Discovery Fund

The Pilot and Discovery Fund is a competition based program to fund and support projects that are early stage and have a strong potential for success. Research and development requires up-front costs that can be difficult for small businesses to cover. This program helps bridge the gap between development costs incurred and revenue generated by a commercial ready product.

A total of 10 projects were offered funding in the latest round of the Pilot and Discovery Fund, totaling an investment of $250,000 in early stage businesses in Prince Edward Island.

"The prototyping funding that we've received through Innovation PEI is giving us the opportunity to take our idea from paper and start making a positive impact for residents and visitors alike," Rob Nelson, co-owner of BFN Tech PEI.

L-R: Rob Nelson, Justin Ferguson, Blake Doyle, John Eden, Peter Douglas

This Round Winners

Jobsite To Go | Maximum Performance and Nutrition B | BFN Tech PEI | Employ PEI | Discovery Garden BioSpa Cosmeceuticals | Rem-ilator | 3 Points Aviation | Island Water Technologies | Ground Level Innovations

Minister Roach

Pilot and Discovery Fund support has been offered to 66 projects since the fund was launched in 2008.

As the province's lead economic development agency, Innovation PEI will provide support to help these innovators explore the commercial potential of their work.

Development and Commercialization Fund

The Development and Commercialization Fund supports Island-based businesses that have moved beyond the prototype and pilot state, have tested and developed a product and wish to move their product or service into the marketplace.

Five projects were funded under the Development and Commercialization Fund in 2014 - 2015. Innovation PEI is investing up to $100,000 in each of the projects, for a total investment of $500,000, and the recipients are required to match this investment.

This Round Winners

Engineering Technologies Canada Ltd. | MAXIMUS Canada Services, Inc. | Somru Bioscience Inc. | Mugisha Enterprises Inc. | Frontier Power Systems Inc.

Left to right, Peter Lawlor, director of strategic initiatives, Maximus; Kelly Galloway, P.Eng., president/owner, Engineering Technologies Canada; Carl Brothers, president, Frontier Power Systems.

L-R: Peter Lawlor, Kelly Galloway, P Eng., Carl Brothers

Full program descriptions can be found at www.innovationpei.com/Programs-Services

CONCEPT TO PILOT TO MARKET

BioFoodTech is a 100% owned subsidiary company of Innovation PEI and provides professional technical services to the food and bio processing industries from concept to pilot to market. There were 49 contracts between BioFood-Tech and clients that were completed in 2014-15.

A National Research Council-IRAP Contribution Agreement to BioFoodTech allows companies to do small projects at BioFoodTech free of charge. The objective of the Contribution Agreement is to provide Canadian SMEs with innovation and technical support with fast response to clients, as approval to proceed with work on projects is usually obtained the same day as it is sought. This objective was achieved in 2014-15 by working on 38 projects for 36 clients.

BioFoodTech provides processing companies with the support required to assure that their products are safe and wholesome for their customers. Food processors deliver food samples to BioFoodTech daily for analysis. Lab staff perform analyses accredited by the Standards Council of Canada and provide reports to processors to confirm the safety of products. BioFoodTech also provides clients with certificates of analysis to enable export of product to the USA, Europe and Asia.

Three "HACCP and the Control of Listeria" workshops were conducted during the year and were attended by 35 registrants. This course is indispensable for companies that want to have a properly functioning food safety system in place. Participants learn to understand food safety hazards. They also learn the essentials of preparing an HACCP Plan for their companies.

BioFoodTech provides a comprehensive range of processing equipment, as well as complete processing facilities with adjoining storage refrigerators and freezers. BioFoodTech offers food safety training and support to our clients' staff by experienced equipment operators. Using the incubation facilities at BioFoodTech lowers the financial risk of introducing new products into the marketplace.

DID YOU KNOW?

A NEW FOOD CLUSTER INITIATIVE WILL BE ANNOUNCED IN 2015.

Our Trade and Export Development division works with small and medium sized enterprises to grow our exports to the world. Most of the businesses in Prince Edward Island have less than ten staff, which means many are not in a position to develop exporting opportunities alone. It is important for this division to provide tools and programs that support our private sector businesses as they identify and act on new export opportunities.

Trade Team Prince Edward Island (TTPEI) is a joint agreement between the Province of Prince Edward Island, the Atlantic Canada Opportunities Agency (ACOA) and other departments and agencies, offering export assistance to active and potential exporters.

The division works closely with the business development and prospecting groups to develop incremental or new export channels. This division also works collaboratively across industry and government to create partnerships that will leverage all the parts and pieces of investment in export efforts to a greater focus.

Trade initiatives highlights

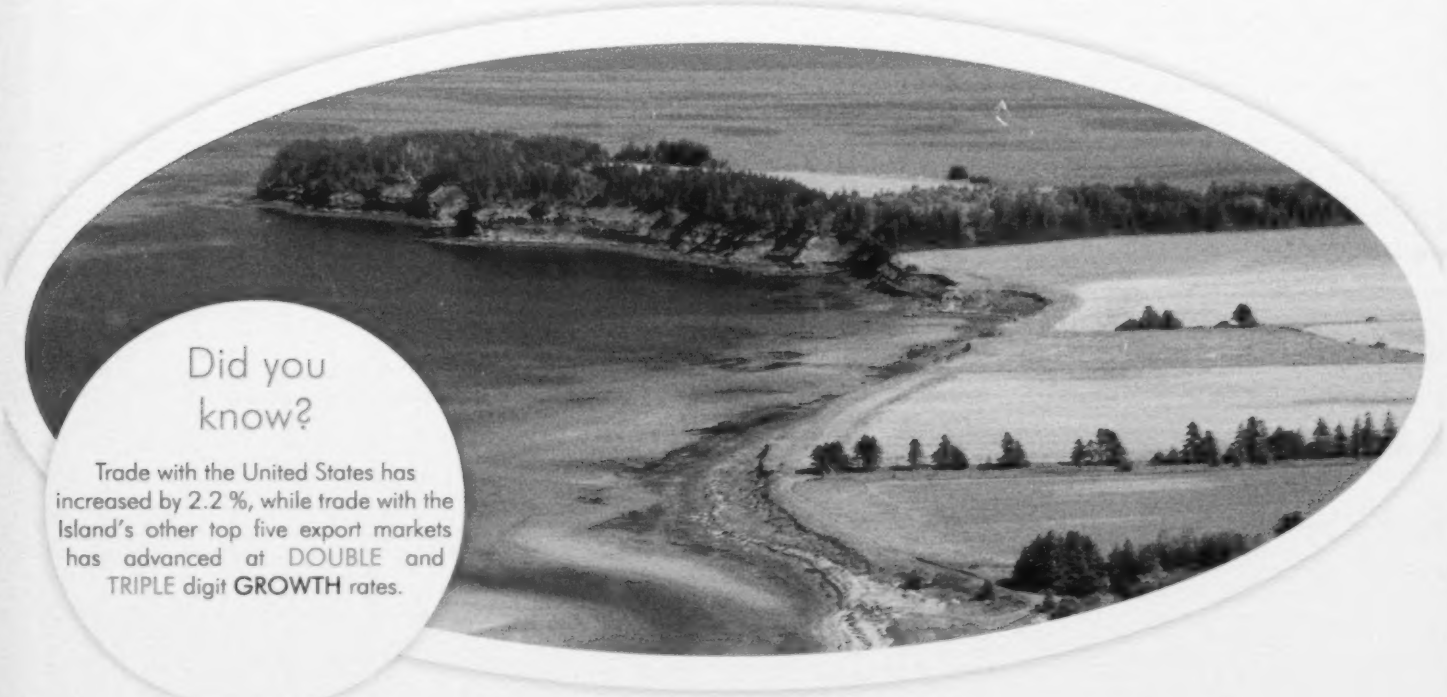
- Over 100 exporters participated in capacity building workshops and events across PEI in such areas as European Food Labeling and Regulation, Logistics of Exporting, and Maximizing Trade Show Returns, as well as market specific information sessions
- Recent results (March 2014 – March 2015) for Trade Team PEI activities saw approximately 80+ companies participate in 12 different missions that generated over six million in immediate sales and forecast another $23 million in sales within 12 months.
- Trade Team PEI hosted a global subject-matter expert in Ifor Ffowcs-Williams of Cluster Navigators for a two day intensive workshop and a third day of public and private sector information sessions and meetings. A full complement of 25 multi sector, public and private sector attendees participated in the two day workshop. On the third day, over 60 government and industry representatives attended the information sessions.
- 26 incoming buyers were hosted in PEI over the course of the year in various sectors showcasing Island operations, the benefits of doing business in PEI and furthering business negotiations and enhancing export agreements with international and domestic buyers.
- Through the TTPEI Target Market Research program, work was undertaken to complete a study on behalf of a cluster of suppliers to the aquaculture industry on emerging opportunities in the Brazilian aquaculture industry.

DID YOU KNOW?

PEI HAS THE FASTEST RATE OF TRADE DIVERSIFICATION IN CANADA, WITH EMERGING MARKET EXPORTS GROWING FROM 4.6 % TO 17 %

EMERGING MARKETS
UK
SOUTH EAST ASIA
CHINA

Prince Edward Island sold $1.12 billion worth of goods outside of Canada last year. Never before has the Island exported a billion dollars in a single year.



Did you know?

Trade with the United States has increased by 2.2 %, while trade with the Island's other top five export markets has advanced at DOUBLE and TRIPLE digit **GROWTH** rates.

The true value of of PEI's exports is much higher still, as this Statistics Canada data does not capture the export value of service industries. Service industries primarily provide intangible products and services, and are not involved in manufacturing. These industries, including Information and Communications Technology (ICT), consulting and financial and business services, contribute substantially to PEI's economy and trade.

To mark this milestone achievement, Premier Wade MacLauchlan and the former Innovation and Advance Learning Minister Allen Roach invited members of the Island's business community to a celebration where they thanked the assembled business leaders for their efforts and vision.

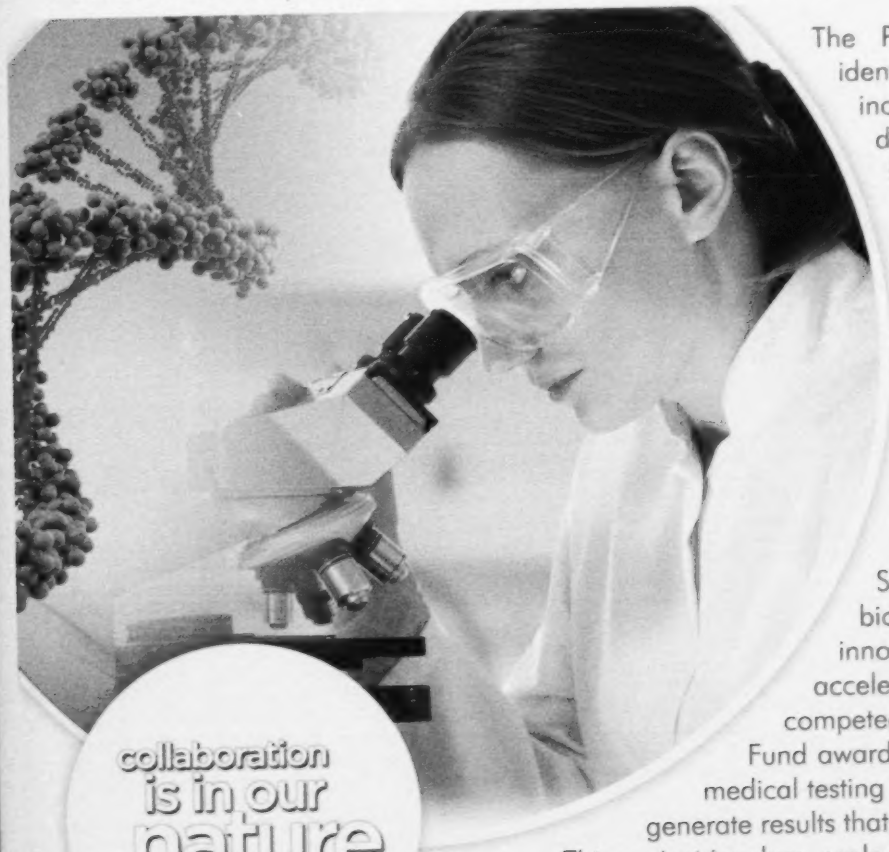
"The value of Prince Edward Island's exports increased by 22% from 2013 to 2014.This is a phenomenal achievement by our province's business community," said the Premier. "We must build on this success and continue to close the gap between Island imports and exports by supporting entrepreneurs and increasing our competitiveness."

Exports of farm products and seafood remain the Islands largest export areas, with advanced manufacturing - including aerospace and electronics - being the second most active export group.

The most important market for Island exports was the United States, followed by South Korea, France and the United Kingdom.

Innovation PEI is proud to support our Island companies as they take their products and services to the worldwide marketplace.

ANIMAL HEALTH | NATURAL HEALTH PRODUCTS | BIO ACTIVE EXTRACTION & PROCESSING | AG BIO



The Prince Edward Island Bioscience industry, identified as a key sector for future growth, includes companies in the research, development, and commercialization of bioactive-based human, animal, and fish health and nutrition products in locations across the province. IPEI delivers the Bioscience Tax Holiday to encourage existing companies to grow and focus on opportunities in the industry and to help attract new companies to the province. Qualified companies receive a tax holiday, via rebates of provincial corporate income taxes paid, for up to ten years.

Somru BioScience Inc. is an emerging biotechnology company dedicated to developing innovative antibody and ELISA based solutions to accelerate research worldwide. Somru successfully competed for a Development and Commercialization Fund award for the further development of investigational medical testing kits. These kits can be used in a clinical lab to generate results that will enable clinicians to make better decisions. This project involves scale up production of reagents, lyophilization of reagents to improve stability, and testing stabilizers to improve and increase shelf life of the test kits. In late 2014, Somru moved into a larger facility, located in the West Royalty Industrial Park, and expects to hire an additional five employees in 2015. IPEI also supported the company through the Marketing Assistance program.

"The demand for our products to support biosimilar development has grown significantly over the last 12 months," said Mr. Moin. "This funding will allow us to continue to invest in the technology and the quality systems that our customers require. It will also allow us to expand our commercial services, increase export globally and create quality jobs in PEI."

Mohammad Moin, Vice President of Business Development, Somru BioScience Inc.

Jon Zuccolo, principal investigator, and Paula Banks, research associate, are with Somru BioScience.

© Guardian photo by Heather Taweel

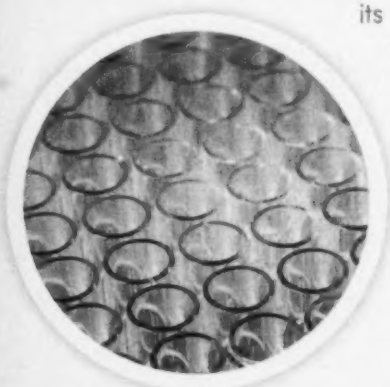
FOSTERING COMMERCIALIZATION

ANIMAL HEALTH | NATURAL HEALTH PRODUCTS | BIO ACTIVE EXTRACTION & PROCESSING | AG BIO

The PEI BioAlliance was selected as one of fifteen organizations from across Canada for additional funding through the federal Canadian Accelerator and Incubator Program, delivered by NRC, to help Canadian early stage technology companies grow. The BioAlliance will receive $3.8 million over five years for the incubator service, Emergence. Innovation PEI is supporting the initiative with a $100,000 contribution in the first year, which is potentially renewable annually. This will provide access to business assessment, mentoring and specialized commercialization services for early stage bioscience companies in Prince Edward Island. IPEI also supported the BioAlliance's Bi-Annual VetHealth Global Conference and NeuroConX 2015 events.

BioVectra Inc., a cGMP drug development partner and specialized manufacturer of pharmaceutical ingredients for the global marketplace, completed a 13,000 square foot addition at of one of its Prince Edward Island facilities. The expansion was necessary to provide additional laboratory, office and amenity space to accommodate the growth of the company, now at 250 PEI employees. BioVectra's growth also led to an expansion within Atlantic Canada. To expand its manufacturing capacity, ability to partner with global pharmaceutical developers, and improve its supply position, BioVectra also expanded by acquiring a manufacturing facility in Nova Scotia. BioVectra remains headquartered in Charlottetown. BioVectra is a participant in the Bioscience Tax Holiday program delivered by IPEI.

Island Abby Foods Ltd., a Health Canada and FDA-licensed natural/medicated health product developer and manufacturer, announced its expansion into the vitamin, mineral and supplement category. The company developed the world's first honey gummy vitamin supplement, with six products for adults and children.



The product, Honibe Honey Gummies™, is produced with naturally sourced ingredients and is free of artificial ingredients.With its expanding product line and global partnerships, Island Abby expects continued growth and employment opportunities in the coming years.

Island Abby also launched additions to its line of Honibe Honey Lozenges™, introducing Honibe Honey Lonzenges™ – Cherry and Honibe Honey Lonzenges™ with Immune Boost. The Immune Boost contains Echinacea, vitamin C, zinc, and a hint of citrus. The company also announced a partnership with French pharmaceutical company, Gifrer. This partnership will bring the Honibe Honey Lozenges into the French market via a co-branded effort, using Gifrer's Alma miel brand of cough and cold products. With its expanding product line and global partnerships, Island Abby expects continued growth and employment opportunities in the coming years. During the year, the company benefitted from the IPEI Marketing Assistance and Rental Incentive programs.

BioSpa Cosmeceuticals, of Summerside, received support through the Pilot & Discovery Fund for further development of its skincare line. BioSpa develops, manufactures and distributes products with almost entirely plant derived ingredients. This funding supports the company as it further develops six additional products to complement its existing products, resulting in a complete product line for the private skincare market.

AEROSPACE & DEFENCE

Prince Edward Island's aerospace and defence industry is a vibrant example of the economic success that can be achieved when partners come together with a common vision in mind. The industry is a leading employer of skilled Islanders and a generator of millions of dollars worth of exports every year. The industry is resident throughout Prince Edward Island. Companies in the PEI industry largely serve commercial aviation markets in the manufacturing and maintenance, repair & overhaul (MRO) segments.

Innovation PEI delivers the Aerospace and Defence Tax Holiday program to support this sector. This program offers a full annual rebate on all PEI corporate income tax paid and all real property tax relating to ownership or rental of spaces in Prince Edward Island to qualified aerospace and defence-related companies. New and existing Aerospace and Defence firms in Prince Edward Island that have twenty or more employees or a payroll over $700,000 , and are working in the Aerospace and Defence sector as defined by the Province of Prince Edward Island. Eligible companies are defined as those engaged in aviation or aerospace/defence-related businesses, which may include, but is not limited to, original equipment manufacturers, strip and paint shops, repair and overhaul operations, training, and various aviation support businesses.

In 2014, the twelve core firms in the PEI aerospace and defence industry generated $300 million worth of international exports and over $105 million worth of domestic exports. Just over half the value of exports was derived from the United States market; South Korea, Australia and France have recently emerged as important markets. Aerospace and defence related products now make up four of the top ten international export industries from PEI.

3 Points Aviation undertook an expansion of its hydraulics repair program, requiring the projected addition of up to fifty jobs over three years. 3 Points will increase production efficiencies, resulting in improved cost competitiveness and increased capacity to design, manufacture, and repair hydraulics for airplane landing gear. Innovation PEI provided support through the IT Implementation and other programs.

AEROSPACE

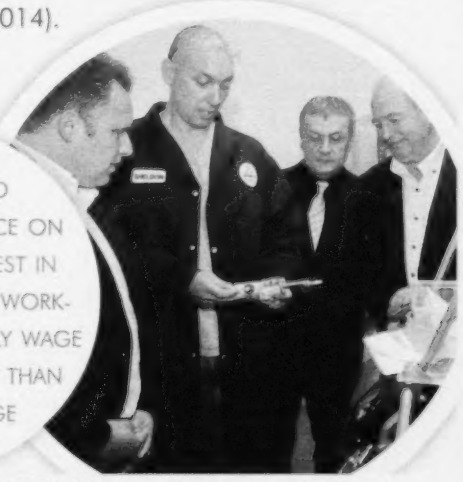
The Aerospace and Defence Association of PEI (ADAPEI) received support from IPEI for various strategic activities, including the commissioned report, "Prince Edward Island Aerospace and Defence Industry Economic Impact Analysis", completed in early 2015. The report highlights several key findings:

- The PEI industry directly employs 930+ people and supports a total of approximately 1364 PEI jobs.
- The aerospace and defence workforce on PEI is the youngest in Canada, and that workforce earns a weekly wage that is 22% more than the PEI average wage.
- International export revenue is up by more than 300% in the past five years (2010 to 2014).

On a per capita basis, PEI ranks second only to Quebec among the ten provinces for aerospace parts and products manufacturing exports and first among the ten for engine, turbine and power transmission equipment manufacturing exports.

This aerospace and defence sector accounts for the majority of durable goods manufacturing GDP on the Island. It directly boosted provincial gross domestic product (GDP) by $106 million. With supply chain and induced economic activity factored in, the total GDP impact was $149.4 million or 3.3 percent of the entire PEI GDP.

THE AEROSPACE AND DEFENCE WORKFORCE ON PEI IS THE YOUNGEST IN CANADA, AND THAT WORKFORCE EARNS A WEEKLY WAGE THAT IS 22% MORE THAN THE PEI AVERAGE WAGE.



(L-R): ACOA Rob Moore, Sheldon Murray (employee), John Druken (Owner 3 Points Aviation), Minister Allen Roach

2014 - 2015

Jason Aspin of Aspin Kemp

Using new and updated technologies, materials and processes to improve the production and manufacturing process is what Advanced Manufacturing on Prince Edward Island is focused on. This could include Computer Aided Design (CAD) design or Computer Numerical Control (CNC) production processes, essentially anything that will create a product more advanced than its predecessor. These improvements often lead to staff retraining as a higher skill level is required, support of which is an important role that Innovation PEI plays in this sector.

Examples of advanced manufacturing can be seen in most sectors on PEI including aerospace, marine, bioscience and ICT. Examples include companies such as Atlantic Advanced Power Technologies (AAPT) in the marine industry, where CNC machines are used to make exact cuts of materials to not only ensure a perfect fit within a product build but also to streamline labour for a more efficient process. Aspin Kemp's advanced manufacturing process was one of the reasons for their recent successful negotiation of an $80 million contract with GE Canada's Global Offshore and Marine Division.

Aspin Kemp & Associates (AKA) will provide switchboards, variable frequency drives and other electrical components for drilling ships under the contract, and create approximately 50 quality trade and professional jobs at its peak. Based in Montague and with fabricating facilities in both Stratford and Pooles Corner, PEI, the company has employees and successful projects in countries around the globe. AKA currently employs 56 Islanders. IPEI supported the company during the year via the Quality Improvement Support and Capital Acquisition programs, trade mission participation, and the completion of AKA's labour rebate.

DID YOU KNOW?

ASPIN KEMP & ASSOCIATES SUCCESSFULLY WON AN $80 MILLION CONTRACT FROM GE CANADA'S GLOBAL OFFSHORE AND MARINE DIVISION.

Portsmouth Atlantic, Charlottetown, secured a contract with South Korean shipbuilder HI AIR KOREA Co., Ltd. (HAK) valued at $1.75 million. Portsmouth Atlantic will supply air filtration units for a ship to be built in Korea for the Royal Norwegian Navy. The design work for the innovative modular units will be done by Portsmouth Atlantics Prince Edward Island engineering team. Portsmouth Atlantic is an engineering company based in Atlantic Canada focused on the defence and marine industry. IPEI supported the company during the year with Marketing Assistance and trade mission participation. Portsmouth currently has three PEI employee; its labour rebate continues through 2016.

Midwest Surveys, a Calgary-based geomatics company serving the oil and gas industry, opened a technical service centre on Prince Edward Island. The PEI location provides the competitive advantage of beginning business three hours ahead of their western offices and the majority of their clients, enabling the company to be more flexible in meeting customer needs. Midwest Surveys has had two land surveyors working remotely from the Island since 2013. Their new Stratford location provides work space for twelve employees. Midwest expects these positions to be fully staffed within two years and already has four PEI employees. IPEI has provided support through the Rental Incentive program, labour rebate, and fit-up subsidy.

JILL AND BRIAN BURRIDGE, MIDWEST SURVEYS

From applied research and new product development through to supporting the needs of growing businesses, Prince Edward Island's Information and Communications Technology (ICT) sector consists of companies with development and solution specializations in many areas. The sector has particular strength in the areas of independent software vendors, healthcare, financial services, wireless and mobile applications, and gaming.

With the continued growth of the sector comes the increasing demand for skilled employees. Innovation PEI supports several initiatives to raise interest and awareness of career opportunities in ICT. Over the past year, IPEI partnered with SkillsPEI and the ICT community to offer a short-term Java Training course. Nineteen students completed the course and twelve secured employment as a direct result of this training.

In an continued effort to raise awareness of the video game development industry in Prince Edward Island, GameForce offers an educational after-school program to introduce students to the video game development process.

Junior and senior high schools that are enrolled in GameForce expanded with a new mobile development course added to the program this year.

gameforce
NOW IS YOUR CHANCE TO CREATE YOUR VERY OWN!
Student Showcase
INNOVATION PEI INVITES YOUR SCHOOL TO PARTICIPATE IN
THE GAME FORCE: DESIGNER'S BOOT CAMP PROGRAMS
FREE

Over the past year, PEI's ICT cluster welcomed Buchanan Technologies Inc. and Carta Worldwide as they opened new PEI locations. The sector also generated new startups, including Icejam Studios and BamText Corp, and experienced growth at several companies, such as and Brightflock, Electronic Arts and Server Sitters.

Buchanan Technologies CEO Stephen Sweett
Photo Credit CBC

Buchanan Technologies Inc. selected Charlottetown as the location for their first Canadian Service Delivery Centre. Buchanan is a well established and respected enterprise support organization within the ICT field. Based out of Grapevine, Texas, the company was founded in 1988 and specializes in professional services: business process management, managed services, Project Services, support centre, SaaS, Desktop Management, TOSCO Field Services, Unified Communications, Business Solutions, and Core Infrastructure. The company is operational in PEI, and projects the creation of 46 jobs at its PEI location within three years and has already grown to fifteen employees. Innovation PEI is providing support through the Innovation and Development Labour Rebate.

The Innovation and Technology Association of PEI commissioned and released a report, "Prince Edward Island's ICT Industry Economic Impact Review", illustrating the importance and impact of the industry to the Island. The report uses the Statistics Canada definition of the ICT sector. All data is exclusive of customer contact centres, back office services, engineering, or IT activities that reside in other sectors of the economy (i.e. IT workers in government, financial services companies, etc.). itap

ICT Continued...

IPEI provided modest support toward the cost of report.

Key insights of the report include:

The cluster's direct GDP contribution increased 60 percent faster than the overall economy on PEI between 2009 and 2013; it now contributes an estimated $178.6 million of direct GDP.

With supply chain and induced economic effects, the total GDP contribution of the ICT industry rises to $236.3 million or about 4.7% of the Island's total GDP.

Prince Edward Island has the youngest IT workforce of any Canadian province, and that workforce earns a weekly wage that is 25% more than the PEI average wage.

The ICT sector directly employs 1200 Islanders and supports a total of approximately 1850 PEI jobs.

PEI ICT companies, on average, earn 62% of revenue from off-Island customers.

DID YOU KNOW?

THE 49 ICT FIRMS THAT FILLED OUT THE SURVEY EMPLOY 932 STAFF ON PEI

MONTAGUE BUSINESS DEVELOPMENT CENTRE OPENS

The new Montague Business Development Centre, provides a centre of growth for entrepreneurs in the ICT and service industries in Eastern Prince Edward Island.

"We are really excited to be opening another office, and it is especially nice to be in the Montague Business Development Centre," said Chris Weeks of *Thinking Big*.

The project is being financed with a $309,000 loan from Finance PEI, a $239,000 non-repayable contribution from Atlantic Canada Opportunities Agency and a $150,000 grant from Innovation PEI.

Left to Right: Ron Myers, Thinking Big Technologies; Laura Jane Koers, Brightflock; Innovation and Advanced Learning Minister Allen Roach; Scott Bell, Community Welfare League president; and Councillor Jim Bagnall, Montague

LaunchPadPEI

MENTORING | MARKETING | INVESTMENT

LOCATIONS

LaunchPad PEI Inc. was created in 2014 to operate a business incubation program dedicated to the success of start-ups in Prince Edward Island. A strategy was developed to offer ammenties to encourage start-ups and new businesess.

Including:

- Professional and secure office space with access to a one-on-one business advisor
- Qualified advice and services from legal and accounting firms
- Access to capital programs that can assist in product development, marketing, and hiring
- Mentorship opportunities from our network in the business and ICT sector
- Introduction to Venture Capital and Angel Investors

Each site has a business development officer who is available for daily advisory and mentoring services, and to guide the participants through the mentorship, investment, and connection opportunities.

In 2014 LaunchPad PEI became a designated incubator under the Start-up Visa program and began an exciting partnership with Canadian Association of Business Incubation (CABI). This will continue to open the international markets for investment missions and new companies to the Island.

CABI

SECURE | SUSTAINABLE | STABLE

DID YOU KNOW?

KPMG

"BUSINESS COST COMPARISON STUDY SHOWS PEI IS THE LOWEST COST LOCATION IN CANADA FOR SHARED SERVICES FUNCTIONS"

Innovation PEI has been laying the groundwork for further development of the emerging Prince Edward Island Financial and Business Services sector. A strategic development plan has been completed for the Financial and Business Services sector. The strategic plan identified the target sub-sectors that align well with PEI's business case, including pension administration, mobile development, cyber security, and data analytics. Working with our partners, City of Charlottetown, City of Summerside and Downtown Charlottetown Inc.; Innovation PEI takes a collaborative approach to prospecting new companies and growing the sector.

Rui Mendes, Co-founder and Chief Technical Officer with CARTA Worldwide

The expansion of Carta Worldwide to Prince Edward Island is a crossover success story. The company services financial institutions with its next-generation platform that, among other benefits, increases transaction efficiency and enables mobile and digital transactions. As a leader in payment processing, a data site was established at the Atlantic Technology Centre. The site will also serve as a backup to its data processing centre in Cyprus.

Carta Worldwide's is expected to employ up to 17 people by late 2016. The positions include IT support, graphic design and management jobs, and are intended to help Carta Worldwide expand its presence in the North American marketplace. Carta plans to build a strong presence in the community and foster a strong relationship with the University of PEI's Computer Science and Information Technology groups and graduates – providing employment and co-op opportunities to some of the brightest minds PEI and Canada have to offer. Innovation PEI is supporting the new office through the Capital Acquisition program and Innovation and Development Labour Rebate.

Six years after its initial move to Charlottetown in 2008, Invesco Ltd. has become one of the area's largest employers with approximately 300 full-time staff at the office. The company, with over 5,000 employees in more than 20 countries, is a leading independent global investment management firm that helps companies worldwide achieve their financial objectives. Invesco's Charlottetown office is a key global enterprise hub for the firm and offers Islanders progressive careers across a diversity of disciplines including customer service, information technology, accounting, finance, and human resources.

Invesco originally expected the Charlottetown location to grow to a maximum of 300 employees, but it has exceeded initial expectations for productivity and job creation - resulting in the company expecting to grow its Island workforce to 400 positions. Invesco has expanded its office facility in Charlottetown with the support of Innovation PEI, Atlantic Canada Opportunities Agency, and Charlottetown Area Development Corporation (CADC). Invesco is also being supported with labour rebates from Innovation PEI.

Adam Runge - Invesco

The building expansion was the first on PEI to receive a Leadership in Energy and Environmental Design (LEED) Certificate and features an uninterruptable power supply (UPS) system, state of the art wiring and a geo-thermal heating system. This expansion will increase its size from 45,000 to 65,000 square feet.

CADC

CADC render drawing of Invesco expansion

Innovation PEI

Consolidated Financial Statements
March 31, 2015

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

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Fax (902) 566-5074
www.acgca.ca

June 29, 2015

Independent Auditor's Report

To the Minister of Innovation and Advanced Learning

We have audited the accompanying consolidated financial statements of **Innovation PEI**, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Innovation PEI** as at March 31, 2015, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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Chartered Accountants

Innovation PEI

Consolidated Statement of Financial Position

As at March 31, 2015

	2015 $	2014 $
Assets		
Financial assets		
Cash	-	901
Accounts receivable (note 2)	1,096,229	470,842
Advances to related companies (note 4)	11,638,265	10,568,786
Due from Province of Prince Edward Island	17,714,012	18,338,439
	30,448,506	29,378,968
Liabilities		
Bank advances	67,357	-
Accounts payable and accrued liabilities (note 4)	25,443,709	23,818,800
	25,511,066	23,818,800
Net financial assets	4,937,440	5,560,168
Non-financial assets		
Prepaid expenses and deposits	28,178	23,886
Property holdings (Schedules 2 and 3)	1,304,724	686,288
	1,332,902	710,174
Accumulated surplus	6,270,342	6,270,342

Approved by the Board of Directors

Director

Director

Innovation PEI

Consolidated Statement of Accumulated Surplus

For the year ended March 31, 2015

	2015 $	2014 $
Accumulated operating surplus - Beginning of year	5,904,303	5,903,339
Annual surplus	-	964
Accumulated operating surplus - End of year	5,904,303	5,904,303
Contributed surplus (note 4)	366,039	366,039
Accumulated surplus - End of year	6,270,342	6,270,342

Innovation PEI

Consolidated Statement of Operations

For the year ended March 31, 2015

	Budget (Unaudited) $	2015 $	2014 $
Revenue			
Grant - Province of Prince Edward Island (note 4)	24,710,200	23,960,200	23,710,200
Federal Government funding	325,500	499,500	585,000
Project revenue	1,723,000	1,277,811	1,245,883
Miscellaneous	12,000	33,126	32,383
Gain on sale of property holdings	-	-	15,000
	26,770,700	25,770,637	25,588,466
Expenses (Schedule 1)			
Operating	5,881,700	5,484,465	5,750,265
Development programs	20,639,000	20,127,192	19,595,424
Project costs	70,000	38,971	86,208
Amortization - property holdings	180,000	120,009	155,605
	26,770,700	25,770,637	25,587,502
Annual surplus	-	-	964

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CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31, 2015

	2015 $	2014 $
Annual surplus	-	964
Acquisition of property holdings	(738,445)	(700,552)
Amortization of property holdings	120,009	155,605
Change due to property holdings	(618,436)	(544,947)
Change in deferred capital contributions	-	(535,000)
Change in prepaid expenses	(4,292)	669,588
Decrease in net financial assets	(622,728)	(409,395)
Net financial assets - Beginning of year	5,560,168	5,969,563
Net financial assets - End of year	4,937,440	5,560,168

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Innovation PEI

Consolidated Statement of Cash Flows

For the year ended March 31, 2015

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Annual surplus	-	964
Items not affecting cash		
Amortization - property holdings	120,009	155,605
Gain on sale of property holdings	-	(15,000)
	120,009	141,569
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(625,387)	721,227
Decrease (increase) in prepaid expenses and deposits	(4,292)	669,588
Increase (decrease) in accounts payable and accrued liabilities	1,624,909	(4,103,063)
	1,115,239	(2,570,679)
Financing activities		
Decrease in due from Province of Prince Edward Island	624,427	1,421,050
Increase in advances to related companies	(1,069,479)	(1,655,449)
Decrease in deferred capital contributions	-	(535,000)
	(445,052)	(769,399)
Investing activities		
Additions to and purchase of property holdings	(738,445)	(700,552)
Proceeds on disposal of property holdings	-	15,000
	(738,445)	(685,552)
Decrease in cash	(68,258)	(4,025,630)
Cash - Beginning of year	901	4,026,531
Cash (bank advances) - End of year	(67,357)	901

Innovation PEI (the "Corporation") is a Crown corporation established under the Innovation PEI Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Standards Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

(a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiary, F.T.C. Enterprises Limited.

(b) Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, advances to related companies, due from Province of Prince Edward Island and accounts payable and accrued liabilities.

All financial assets and financial liabilities are initially recorded at fair value and subsequently measured at cost or amortized cost.

(c) Cash

Cash is comprised of cash on hand, cash in banks and savings accounts.

(d) Accounts receivable

Accounts receivable arise from tenant rents, trade sales, staff advance and Harmonized Sales Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

(e) Due from the Province of Prince Edward Island

The amount due from the Province of Prince Edward Island is the funding to be received for operating grants and other approved reimbursements.

(f) Programs assistance payable

Program assistance is expensed as development program expenditures and included in accrued liabilities when approved by the Corporation and accepted by the client except for Federal-Provincial cost shared programs and provincially-funded assistance requiring future performance criteria, which are expensed when the funds are disbursed, based on eligible claims.

P.E.I. labour rebate, enriched investment tax credits, specialized labour rebate and share purchase tax credit commitments that extend beyond two years are deferred. Commitments under these programs are expensed in each year of the commitment but only to the extent that performance criteria is met for that particular period.

The PEI Food Products Development Fund is a provincially-funded research assistance program administered by the company. Grants under the program are included in income and a corresponding expense and accrued liability is recorded when the grant is received. The accrued liability is reduced when contributions are made to projects. There is $13,089 (2014 - $121,276) in unexpensed assistance included in accrued liabilities at year end. The Corporation has committed funds to qualifying projects in the amount of $13,089 for the 2016 fiscal year.

(g) Property holdings and amortization

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value. Property holdings are amortized using the straight-line method at the following annual rates:

Buildings	5%, 20%, 25%
Equipment	10%, 20%, 33%, 100%

A full year's amortization is recorded in the year of acquisition.

(h) Deferred capital contributions

Innovation PEI and its subsidiary have adopted the policy that contributions received and not spent on specific property holdings at year end are recorded as deferred capital contributions. Once the specific property holdings have been purchased, the deferred capital contributions will be recorded as revenue.

(i) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

(j) Employee pension plan

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2015. The employer contributions to the pension for the year totaled $243,856 (2014 - $257,582).

(k) **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized into income in the period in which they arise.

(l) **Revenue recognition and deferred revenue**

Grants from the Province of Prince Edward Island are recorded in the period authorized by the Province.

Revenue for product royalties is recorded when received.

Innovation PEI's subsidiary follows the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the statement of financial position date. Unearned revenue is recorded as deferred revenue.

(m) **Government assistance**

The company receives assistance from other government entities. The company recognizes this assistance as revenue in the period when the transfer is authorized and all eligibility criteria and/or stipulations, if any, are met. The company received $499,500 (2014 - $585,000) in assistance from Atlantic Canada Opportunities Agency. The company also received $175,000 (2014 - $225,000) in technical support and workshop funding from National Research Council aimed at improved productivity and competitiveness. This amount is included in project recoveries.

(n) **Government transfers**

Government transfers are the transfer of assets from government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates on the amounts can be determined.

(o) **Management estimates**

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates. The following are areas in which management makes significant accounting estimates:

- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings;
- The recognized amounts of liabilities depend on management's assessment of future costs and the probability these events will occur; and
- The revenue recognized from long term projects under the percentage of completion method is based on an assessment of each project based on costs incurred with regard to estimated overall costs of the project.

2 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $49,993 (2014 - $38,380).

3 Commitments

(a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2038 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

(b) The Corporation has committed to disbursing as development program expenses $36,299,699 (2014 - $48,549,873) for P.E.I. labour rebate program assistance, $9,546,478 (2014 - $10,064,234) for enriched investment tax credits, $134,519 (2014 - $236,252) for specialized labour rebate and $325,895 (2014 - $89,533) for share purchase tax credit over the next four years as companies meet the required requirements.

In accordance with accounting policy, note 1f), program assistance for the labour rebate, enriched investment tax credit, specialized labour rebate program and specialized labour rebate expenses are expensed based on eligible claims.

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CHARTERED ACCOUNTANTS

4 Related party transactions

Related companies

The related companies are provincial Crown corporations or subsidiaries of provincial crown corporations.

Statement of Financial Position

Advances to related companies

	2015 $	2014 $
Advances to (from) related companies		
Finance PEI	11,127,584	11,034,661
Island Investment Development Inc.	438,734	441,128
P.E.I. Biocommons Inc.	80	54,366
Atlantic Technology Centre Inc.	71,967	178,731
Prince Edward Island Century 2000 Fund Inc.	-	(1,140,000)
100417 P.E.I. Inc.	(100)	(100)
	11,638,265	10,568,786

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is $26,416 (2014 - $1,279) payable to the Province of Prince Edward Island and $5,052 (2014 - nil) payable to the Provincial Crown corporations.

F.T.C. Enterprises Limited's property and liability insurance coverage is provided by Finance PEI, a related party. As at March 31, 2015, $18,465 (2014 - nil) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

Contributed surplus

F.T.C. Enterprises Limited received a cumulative total of $366,039 in funds from the Province of Prince Edward Island through Innovation PEI that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Statement of Operations

Revenue

Included in revenue are grants from the Province of Prince Edward Island of $23,960,200 (2014 - $23,710,200).

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

5 Financial risk management objectives and policies

Innovation PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with management, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Innovation PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's accounts receivable, advances to related companies and due from the Province of Prince Edward Island.

The Corporation's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The Corporations's maximum exposure to credit risk at the reporting date was:

	$
Accounts receivable	1,096,229
Advances to related companies	11,638,265
Due from Province of Prince Edward Island	17,714,012
	30,448,506

(b) Liquidity risk

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they come due. Specifically, the Corporation needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities as they come due. The Corporation's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The Corporation's financial liabilities of $25,511,066 are expected to be repaid within one year.

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Innovation PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Innovation PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

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CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Schedule of Expenses by Type

For the year ended March 31, 2015 **Schedule 1**

	Salaries Benefits $	Operating Goods & Services $	Programs & Grants $	Amortization $	2015 $ Total $
Expenses					
Operating	3,871,971	1,612,494	-	-	5,484,465
Development programs	-	-	20,127,192	-	20,127,192
Project costs	-	38,971	-	-	38,971
Amortization - property holdings	-	-	-	120,009	120,009
	3,871,971	1,651,465	20,127,192	120,009	25,770,637

	Salaries Benefits $	Operating Goods & Services $	Programs & Grants $	Amortization $	2014 $ Total $
Expenses					
Operating	3,961,676	1,788,589	-	-	5,750,265
Development programs	-	-	19,595,424	-	19,595,424
Project costs	-	86,208	-	-	86,208
Amortization - property holdings	-	-	-	155,605	155,605
	3,961,676	1,874,797	19,595,424	155,605	25,587,502

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Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2015 **Schedule 2**

	Cost				Accumulated amortization				2015
	Beginning $	Additions $	Disposals/ Transfers $	Ending $	Beginning $	Amortization $	Disposals $	Ending $	Net book value $
General									
Equipment	6,800,492	738,445	-	7,538,937	6,130,487	118,996	-	6,249,483	1,289,454
Buildings	4,451,845	-	-	4,451,845	4,435,562	1,013	-	4,436,575	15,270
	11,252,337	738,445	-	11,990,782	10,566,049	120,009	-	10,686,058	1,304,724

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Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2014

Schedule 2

	Cost				Accumulated amortization				2014
	Beginning $	Additions $	Disposals/ Transfers $	Ending $	Beginning $	Amortization $	Disposals $	Ending $	Net book value $
General									
Equipment	6,099,940	700,552	-	6,800,492	5,998,537	131,950	-	6,130,487	670,005
Buildings	4,451,845	-	-	4,451,845	4,411,907	23,655	-	4,435,562	16,283
	10,551,785	700,552	-	11,252,337	10,410,444	155,605	-	10,566,049	686,288

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